

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

RTO/ISO Credit Principles and Practices)	Docket Nos.	AD21-6-000
)		
Request for Technical Conference and Petition for Rulemaking)		AD20-6-000
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**Opening Statement of Noha Sidhom
CEO, Viribus Energy Fund
On Behalf of the Energy Trading Institute**

My name is Noha Sidhom and I am CEO of Viribus Energy Fund, a hedge fund focused on trading FTRs in the organized markets. I also have the privilege of being the Executive Director of the Energy Trading Institute (ETI), a trade association that advocates for open, transparent, competitive, and fair electricity markets. ETI requested this technical conference and we are grateful to staff for putting together a well thought out agenda to discuss an extraordinarily timely topic.

I want to briefly touch upon some key points in response to the questions in the agenda but look forward to a more extensive dialogue with my colleagues here today.

The current minimum capitalization requirements have proven to be effective at striking a balance between protecting the market, while not unnecessarily creating a barrier to entry. If initial margin and variation margin are implemented correctly, then minimum capitalization should not change by product or be influenced by a market participant's activities in other markets. The discussion should not be focused on revisiting the minimum capitalization as that would not have resolved the default scenarios experienced to date, the focus should be properly collateralizing positions and developing sophisticated models that can be utilized in times of system stress. It is also critical to note these models should evolve as the market evolves; they are not a regulatory check the box but rather a continuous work in progress.

Proper Know Your Customer (KYC) protocols are also an integral tool for an organized market to assess the potential risk posed by a counterparty. It is critical that the RTO have knowledge of who the principals are, how the entity is structured, where the money is coming from, and what litigation risk is posed to that entity or the principals. Many of the changes accepted by the Commission over the past year simply require the market participant

to self-report a material change. This is insufficient. The burden should be placed on the RTO or ISO to conduct continuous due diligence.

One way to streamline this process is to have one vendor conduct KYC for all the RTOs and ISOs. An RFP could be issued by the RTO/ISO Council to address this critical need. The entity selected through that RFP process could conduct continuous KYC, manage changes to risk policies and intake annual officer certification and information disclosure forms. This could significantly streamline the process for the RTOs and ISOs and market participants. If we had to choose a single, low-hanging-fruit item for improvement, the mere simplifying of the annual certification and information disclosure forms to create a single set of forms that apply to all of the RTO/ISO markets would be a welcome cost-saving change for market participants that wouldn't sacrifice any KYC capabilities or needs.

We understand that standardization has often been a delicate topic at FERC and regional differences are certainly a justifiable concern when it comes to dealing with operational issues. However, regional differences do not impact KYC protocols or proper credit management utilized in virtually every other financial market, such as mark-to-auction. Good credit and counterparty risk management is applicable to every market.

On the topic of discretion, we are comfortable with some level of discretion being granted to the RTOs and ISOs regarding requesting additional collateral. However, we are extremely uncomfortable granting them the unilateral ability to suspend a market participant's ability to transact. Significant market participant trust was lost as a result of the GreenHat default and while the RTOs and ISOs have shifted both the regulatory and financial burden onto participants, it is critical that the Commission hold both the RTOs and ISOs and market participants equally accountable in these markets.

We suggest that FERC develop clear guidelines and internal protocols for each RTO or ISO to follow regarding internal risk management processes. Just as a market participant must demonstrate sufficient risk management protocols and market expertise, it is even more critical that an RTO or ISO be able to demonstrate sufficient processes, expertise, and resources to manage credit and counterparty risk. Accountability at all levels is the best practice for protecting the integrity of the market and ultimately the consumer.

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